

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

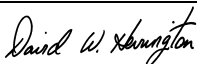
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

**Resource Recovery and  
Recycling Authority of  
Southwest Oakland County**

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**Financial Report  
with Supplemental Information  
June 30, 2007**

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

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## Independent Auditor's Report

To the Board of Trustees  
Resource Recovery and Recycling Authority  
of Southwest Oakland County

We have audited the accompanying financial statements of the governmental activities and each major fund of the Resource Recovery and Recycling Authority of Southwest Oakland County as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Resource Recovery and Recycling Authority of Southwest Oakland County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Resource Recovery and Recycling Authority of Southwest Oakland County as of June 30, 2007 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

*Plante & Moran, PLLC*

July 20, 2007

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Management's Discussion and Analysis

Our discussion and analysis of the Resource Recovery and Recycling Authority of Southwest Oakland County's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Authority's financial statements.

### Using this Annual Report

This annual report presents the financial position and the results of operations for each of the Authority's funds, as well as for the Authority as a whole. The individual funds are presented on the modified accrual basis of accounting, which is a short-term view that tells us how resources were spent during the year, as well as how much is available for future spending. This information is then aggregated and adjusted to the full accrual basis to present a longer-term view of the Authority as a whole. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the member communities have funded the full cost of providing waste management services.

### The Authority as a Whole

The following table shows, in a condensed format, the net assets on a full accrual basis compared to the prior year:

TABLE I

	June 30			Current Year Change	
	2005	2006	2007	Amount	Percent
<b>Assets</b>					
Current assets	\$ 421,116	\$ 482,720	\$ 516,953	\$ 34,233	7.1
Noncurrent assets	<u>1,686,307</u>	<u>1,652,772</u>	<u>1,618,960</u>	<u>(33,812)</u>	(2.0)
Total assets	2,107,423	2,135,492	2,135,913	421	-
<b>Liabilities</b>					
Current liabilities	32,432	49,820	36,346	(13,474)	(27.0)
Noncurrent liabilities	<u>21,657</u>	<u>22,162</u>	<u>17,513</u>	<u>(4,649)</u>	(21.0)
Total liabilities	<u>54,089</u>	<u>71,982</u>	<u>53,859</u>	<u>(18,123)</u>	(25.2)
<b>Net Assets</b>					
Invested in capital assets - Net of related debt	1,686,307	1,652,772	1,618,960	(33,812)	(2.0)
Unrestricted	<u>367,027</u>	<u>410,738</u>	<u>463,094</u>	<u>52,356</u>	12.7
Total net assets	<u><b>\$2,053,334</b></u>	<u><b>\$2,063,510</b></u>	<u><b>\$2,082,054</b></u>	<u><b>\$ 18,544</b></u>	0.9

The Authority's combined net assets increased approximately 1 percent from a year ago, increasing from \$2,063,510 to \$2,082,054.

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Management's Discussion and Analysis (Continued)

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased by \$52,356 for the governmental activities. This represents an increase of approximately 12.7 percent. The current level of unrestricted net assets for our governmental activities stands at \$463,094, or about 89 percent of expenditures.

The following table shows the changes of the net assets during the current year as compared to the prior year:

TABLE 2

	Year Ended June 30			Current Year Change	
	2005	2006	2007	Amount	Percent
<b>Revenue</b>					
Contributions from members	\$ 306,695	\$ 306,695	\$ 302,002	\$ (4,693)	(1.5)
MRF revenue sharing	133,930	95,926	138,023	42,097	43.9
Host fees	29,215	9,367	8,873	(494)	(5.3)
Drop-off income	30,345	21,276	22,633	1,357	6.4
Interest income	7,897	18,547	26,252	7,705	41.5
Grant revenue	-	-	40,905	40,905	-
Other	3,137	2,363	413	(1,950)	(82.5)
Total revenue	511,219	454,174	539,101	84,927	18.7
<b>Expenses</b>					
Salaries and benefits	234,549	212,662	230,187	17,525	8.2
Professional services	80,339	82,504	155,023	72,519	87.9
Other operating expenses	85,845	76,249	62,341	(13,908)	(18.2)
Drop-off expense	40,490	38,145	38,412	267	0.7
Depreciation	37,359	34,438	34,594	156	0.5
Total expenses	478,582	443,998	520,557	76,559	17.2
<b>Change in Net Assets</b>	<b>\$ 32,637</b>	<b>\$ 10,176</b>	<b>\$ 18,544</b>	<b>\$ 8,368</b>	<b>82.2</b>

The MRF revenue sharing and drop-off income increased as a result of fluctuating index values for various commodities. The index values tend to fluctuate significantly as a result of market forces and, in general, cannot be depended upon for future revenue levels.

A rise in the general level of interest rates contributed to increased interest revenue.

A new intergovernmental grant was received during the year, increasing both grant revenue and associated professional services.

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

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## **Management's Discussion and Analysis (Continued)**

The Authority was able to achieve excellent results in keeping its other costs down.

### **The Authority's Funds**

The individual fund columns provide detail information about each fund, presented on both a modified accrual and full accrual basis of accounting. The Authority creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The Authority's funds include the General Administrative Fund, the Billing Fund, and the Materials Recovery Facility Fund.

### **Budgetary Highlights**

Over the course of the year, the Authority amended the budget to take into account events during the year. Material changes involved amending anticipated revenue associated with MRF revenue sharing. This was a result of sustained increases in the index value for various commodities. The budget was also amended for an intergovernmental grant received during the year, along with related contractual consulting expenses. Overall, Authority revenue exceeded anticipated amounts by \$12,244.

Overall, Authority departments stayed below budget, resulting in total expenditures for all three funds being \$63,371 below budget.

### **Capital Asset Administration**

At the end of 2007, the Authority had \$1,618,960 invested in a range of capital assets (net of depreciation), including machinery and equipment and office furnishings and fixtures. Of this amount, \$1,550,000 relates to land originally purchased by Recycle America Alliance, LLC, a subsidiary of Waste Management, Inc., during the year ended June 30, 1994. The land has been deeded to the Authority and the Authority works with the Materials Recovery Facility (MRF) operator (Recycle America Alliance, LLC) to set rates charged by the operator to residents of member communities such that the costs incurred by the operator to purchase the land and approximately 20 percent of its costs to purchase the MRF will be recovered over a 15-year period.

### **Economic Factors and Next Year's Budgets and Rates**

Industry experts indicate that current economic factors support recycling markets and predict that commodity values will remain at or near current levels during the near term. Additionally, the Authority has taken steps to contain and/or reduce costs in various areas. As a result, revenues and expenses are expected to sustain existing operations without any change in current membership rates.

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

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## **Management's Discussion and Analysis (Continued)**

### **Contacting the Authority's Management**

This financial report is intended to provide our member communities with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives from the member communities. If you have questions about this report or need additional information, we welcome you to contact the Authority's office.



# Resource Recovery and Recycling Authority of Southwest Oakland County

## Statement of Net Assets and Governmental Funds Balance Sheet June 30, 2007

	General Administrative	Billing	Materials Recovery Facility	Balance Sheet - Modified Accrual	Accrual Adjustments	Statement of Net Assets - Full Accrual
<b>Assets</b>						
Cash and cash equivalents (Note 4)	\$ 121,040	\$ 6,933	\$ 356,453	\$ 484,426	\$ -	\$ 484,426
Accounts receivable	-	-	27,516	27,516	-	27,516
Prepaid expenses	5,011	-	-	5,011	-	5,011
Total current assets	126,051	6,933	383,969	516,953	-	516,953
Nondepreciable capital assets (Note 5)	-	-	-	-	1,550,000	1,550,000
Depreciable capital assets - Net (Note 5)	-	-	-	-	68,960	68,960
Total assets	<u>\$ 126,051</u>	<u>\$ 6,933</u>	<u>\$ 383,969</u>	<u>\$ 516,953</u>	1,618,960	2,135,913
<b>Liabilities and Fund Balance</b>						
<b>Liabilities</b>						
Accounts payable	\$ 16,674	\$ -	\$ -	\$ 16,674	-	16,674
Due to other governmental units	-	4,118	-	4,118	-	4,118
Salaries payable	4,201	-	-	4,201	-	4,201
Deferred revenue	-	-	5,855	5,855	(5,855)	-
Compensated absences:						
Due within one year	-	-	-	-	11,353	11,353
Due in more than one year	-	-	-	-	17,513	17,513
Total liabilities	20,875	4,118	5,855	30,848	23,011	53,859
<b>Fund Balance - Unrestricted</b>	<u>105,176</u>	<u>2,815</u>	<u>378,114</u>	<u>486,105</u>	(486,105)	-
Total liabilities and fund balance	<u>\$ 126,051</u>	<u>\$ 6,933</u>	<u>\$ 383,969</u>	<u>\$ 516,953</u>		
<b>Net Assets</b>						
Invested in capital assets - Net of related debt					1,618,960	1,618,960
Unrestricted					463,094	463,094
Total net assets					<u>\$ 2,082,054</u>	<u>\$ 2,082,054</u>

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Statement of Activities and Governmental Funds Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2007

	General Administrative	Billing	Materials Recovery Facility	Total Modified Accrual	Accrual Adjustments	Full Accrual
<b>Operating Revenue</b>						
Contributions from members	\$ 215,686	\$ 11,000	\$ 75,316	\$ 302,002	\$ -	\$ 302,002
MRF revenue-sharing	-	-	138,023	138,023	-	138,023
Host fees	-	-	8,873	8,873	-	8,873
Drop-off income	22,633	-	-	22,633	-	22,633
Interest income	7,737	461	18,054	26,252	-	26,252
Grant revenue	-	-	35,050	35,050	5,855	40,905
Other	413	-	-	413	-	413
Total operating revenue	246,469	11,461	275,316	533,246	5,855	539,101
<b>Operating Expenses</b>						
Salaries and benefits	149,183	8,797	70,207	228,187	2,000	230,187
Professional services	12,834	-	142,189	155,023	-	155,023
Supplies	4,469	520	355	5,344	-	5,344
Printing and publishing	8,422	-	-	8,422	(782)	7,640
Postage and mailing	14,018	1,184	-	15,202	-	15,202
Utilities	7,325	157	1,769	9,251	-	9,251
Training and travel	7,152	93	415	7,660	-	7,660
Other operating expenses	16,933	200	111	17,244	-	17,244
Drop-off expenses	38,412	-	-	38,412	-	38,412
Depreciation	-	-	-	-	34,594	34,594
Total operating expenses	258,748	10,951	215,046	484,745	35,812	520,557
<b>Surplus (Shortfall)</b>	(12,279)	510	60,270	48,501	(29,957)	18,544
<b>Fund Balance/Net Assets - July 1, 2006</b>	117,455	2,305	317,844	437,604	1,625,906	2,063,510
<b>Fund Balance/Net Assets - June 30, 2007</b>	<u>\$ 105,176</u>	<u>\$ 2,815</u>	<u>\$ 378,114</u>	<u>\$ 486,105</u>	<u>\$ 1,595,949</u>	<u>\$ 2,082,054</u>

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

**Notes to Financial Statements  
June 30, 2007**

## **Note I - Summary of Significant Accounting Policies**

The Resource Recovery and Recycling Authority of Southwest Oakland County (the "Authority") is a municipal authority and body corporate, incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and Wixom and was created pursuant to Act 179, Michigan Public Acts of 1947, as amended. Currently, the Authority is engaged in assisting the communities in the coordination of their solid waste management activities. Its ultimate purpose is the collection and disposal of rubbish and acquisition and operation of a waste management system.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Resource Recovery and Recycling Authority of Southwest Oakland County:

### **Modified Accrual and Full Accrual Data**

The Authority has three funds, which are used to demonstrate accountability by separately reporting the use of resources from the Authority's three main sources. The Authority reports the following funds:

- a. The General Administrative Fund, which is the Authority's primary operating fund. It accounts for all financial resources that are not otherwise accounted for in another fund;
- b. The Billing Fund, which provides billing services to certain members' residents; and
- c. The Materials Recovery Facility Fund, which reports the operation of the materials recovery facility

The individual funds are budgeted and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

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**Notes to Financial Statements  
June 30, 2007**

## **Note I - Summary of Significant Accounting Policies (Continued)**

In addition to presenting information for individual funds, the statements combine all fund activity and present information for the Authority as a whole, using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Authority has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both modified accrual and full accrual columns.

# Resource Recovery and Recycling Authority of Southwest Oakland County

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## Notes to Financial Statements June 30, 2007

### Note I - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include land for the MRF site, machinery and equipment, and office furniture and fixtures, are reported in the full accrual column. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land (MRF site)	Not depreciated
Machinery and equipment	15 years
Office furniture and fixtures	5-10 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Authority's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A portion of accumulated sick leave is payable upon death or retirement and is accrued. All vacation pay and the portion of sick leave eligible for payout upon death or retirement are accrued when incurred in the full accrual columns. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

# Resource Recovery and Recycling Authority of Southwest Oakland County

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## Notes to Financial Statements June 30, 2007

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements

As discussed in Note 1, the Authority's financial statements are presented on the modified accrual basis of accounting and are also presented on the full accrual basis. The following is a reconciliation of fund balance on the modified accrual basis of accounting to net assets presented on the full accrual basis:

<b>Net Change in Fund Balance - Modified Accrual Basis</b>	<b>\$ 48,501</b>
Amounts reported in the statement of net assets are different because:	
Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(2,000)
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	5,855
Capital assets used in governmental activities are not considered financial resources; as such, depreciation recorded on those assets is not considered an activity of the funds	(34,594)
Governmental funds report capital outlays as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation	<u>782</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ 18,544</u></u></b>

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Notes to Financial Statements June 30, 2007

### Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

The following is a reconciliation of the changes in fund balance on the modified accrual basis to the change in net assets on the full accrual basis:

<b>Total Fund Balance - Modified Accrual Basis</b>	<b>\$ 486,105</b>
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Amounts reported in the statement of net assets are different  
because:

Grant receivables not received within 45 days of year end are not available to pay for current year expenditures	5,855
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Capital assets are not financial resources and are not reported in the funds	1,618,960
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Compensated absences are long-term liabilities and are not reported in the funds	<u>(28,866)</u>
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<b>Total Net Assets - Full Accrual Basis</b>	<b><u><u>\$ 2,082,054</u></u></b>
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### Note 3 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds. All annual appropriations lapse at fiscal year end. The budget is prepared by the general manager and approved by the board of trustees. The budget document presents information by fund and line items. The legal level of budgetary control adopted by the governing body is the line item level (i.e., the level at which expenditures may not legally exceed appropriations). Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The Authority did not have significant expenditure budget variances.

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

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**Notes to Financial Statements  
June 30, 2007**

## **Note 4 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated one bank for the deposit of funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Resource Recovery and Recycling Authority of Southwest Oakland County's deposits and investment policies are in accordance with statutory authority.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had no bank deposits that were uninsured and uncollateralized. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable risk level are used as depositories.



# Resource Recovery and Recycling Authority of Southwest Oakland County

## Notes to Financial Statements June 30, 2007

### Note 4 - Deposits and Investments (Continued)

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. In accordance with its investment policy, the Authority manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to a range of 90 days to three years. The Authority's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. At year end, the Authority held \$464,100 in a bank investment pool with an average maturity of eight days.

#### Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the Authority held \$464,100 in a bank investment pool that had a credit rating of AAA, as rated by Standard & Poor's.

### Note 5 - Capital Assets

Capital asset activity was as follows:

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Capital assets not being depreciated -				
Land (MRF site)	\$ 1,550,000	\$ -	\$ -	\$ 1,550,000
Capital assets being depreciated:				
Machinery and equipment	500,000		-	500,000
Office furnishings and fixtures	51,187	782	-	51,969
Subtotal	551,187	782	-	551,969
Accumulated depreciation:				
Machinery and equipment	399,999	33,333	-	433,332
Office furnishings and fixtures	48,416	1,261	-	49,677
Subtotal	448,415	34,594	-	483,009
Net capital assets being depreciated	102,772	(33,812)	-	68,960
Net capital assets	<u>\$ 1,652,772</u>	<u>\$ (33,812)</u>	<u>\$ -</u>	<u>\$ 1,618,960</u>

# **Resource Recovery and Recycling Authority of Southwest Oakland County**

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## **Notes to Financial Statements June 30, 2007**

### **Note 5 - Capital Assets (Continued)**

The \$1,550,000 of land was originally purchased by Recycle America Alliance, LLC, a subsidiary of Waste Management, Inc., during the year ended June 30, 1994. The land has been deeded to the Authority, and the Authority has agreed to lease the land to Recycle America Alliance, LLC at \$1 per year for a 15-year period while it operates the MRF on the site. Rates charged to member communities using the MRF have been set so that Recycle America Alliance, LLC will recover its cost of purchasing the land over a 15-year period.

A \$500,000 grant from the State of Michigan was used to purchase machinery to equip the MRF. The accumulated depreciation on this equipment as of June 30, 2007 amounted to \$433,332.

Upon termination of the lease in 2008, the title to the MRF will be transferred to the Authority. The Authority will record the facility at its fair value, if any, at the time of transfer (the original cost of the facility is \$5,600,000, of which \$1,125,100 is being funded by charges to member communities).

The Authority works with the MRF operator (Recycle America Alliance, LLC) to set the rates charged by the operator to residents of member communities such that the costs incurred by the operator to purchase the land and approximately 20 percent of its costs to purchase the MRF will be recovered over a 15-year period.

### **Note 6 - Risk Management**

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for medical benefits, workers' compensation, and general liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## **Required Supplemental Information**

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# Resource Recovery and Recycling Authority of Southwest Oakland County

## Budgetary Comparison Schedule - General Administrative Fund Year Ended June 30, 2007

	Prior Year Actual	Current Year			Over (Under) Amended Budget
		Original Budget	Amended Budget	Actual	
<b>Revenue</b>					
Member contributions	\$ 220,379	\$ 220,379	\$ 215,686	\$ 215,686	\$ -
Interest income	5,923	3,600	5,000	7,737	2,737
Drop-off income	21,276	24,000	20,000	22,633	2,633
Miscellaneous income	2,363	2,000	500	413	(87)
Total revenue	249,941	249,979	241,186	246,469	5,283
<b>Expenditures</b>					
Supervisory salaries	50,279	54,000	54,000	54,000	-
Permanent salaries	52,216	54,309	54,309	49,763	(4,546)
Overtime	3,051	3,291	3,291	3,291	-
FICA	8,291	9,385	9,350	8,729	(621)
Medical and dental insurance	20,565	21,622	20,652	20,652	-
Unemployment insurance	137	137	137	123	(14)
Workers' compensation	737	1,037	1,037	760	(277)
ICMA contribution	10,941	12,315	11,865	11,865	-
Operating supplies	1,000	1,000	1,000	1,000	-
Office supplies	3,896	4,000	4,000	3,469	(531)
Postage and mailing	15,575	14,218	15,315	14,018	(1,297)
Magazines and periodicals	1,020	1,025	1,025	346	(679)
Books	181	300	620	613	(7)
Audit	5,250	5,500	5,500	5,500	-
Consulting services - Engineers	26	750	750	-	(750)
Consulting services - Legal	-	1,500	1,500	827	(673)
Consulting services - Accounting	-	500	500	-	(500)
Membership dues	1,682	1,800	1,800	1,558	(242)
Contractual services	2,973	9,780	7,580	6,507	(1,073)
Contractual services - Drop-off expense	38,145	42,850	38,700	38,412	(288)
Telephone	6,275	7,720	7,560	7,325	(235)
Vehicle allowance	3,600	3,600	3,600	3,600	-
Community relations	3,260	3,700	3,400	2,566	(834)
Printing and publishing	9,061	12,095	9,244	8,422	(822)
Building and liability insurance	1,084	1,100	1,224	1,224	-
Equipment maintenance	1,887	2,500	2,500	2,045	(455)
Building and grounds maintenance	-	1,000	1,000	-	(1,000)
Office equipment rental	3,521	4,300	4,300	3,156	(1,144)
Conferences and workshops	1,930	3,100	3,100	2,980	(120)
Expenses and mileage	3,000	3,000	3,000	1,282	(1,718)
Education and training	2,355	3,000	3,000	2,890	(110)
Computer software	-	-	600	-	(600)
Office equipment	1,645	1,000	1,825	1,825	-
Contingency	-	2,869	1,180	-	(1,180)
Total expenditures	253,583	288,303	278,464	258,748	(19,716)
<b>Excess of Expenditures Over Revenue</b>	(3,642)	<b>\$ (38,324)</b>	<b>\$ (37,278)</b>	(12,279)	<b>\$ 24,999</b>
<b>Fund Balance - Beginning of year</b>	121,097			117,455	
<b>Fund Balance - End of year</b>	<b>\$ 117,455</b>			<b>\$ 105,176</b>	

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Budgetary Comparison Schedule - Billing Fund Year Ended June 30, 2007

	Current Year				Over (Under)
	Prior Year Actual	Original Budget	Amended Budget	Actual	Amended Budget
<b>Revenue</b>					
Member contributions	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ -
Interest income	431	250	250	461	211
Total revenue	11,431	11,250	11,250	11,461	211
<b>Expenditures</b>					
Permanent salaries	6,013	6,243	6,243	6,210	(33)
FICA	491	510	510	510	-
Medical and dental insurance	1,896	1,950	1,725	1,725	-
Unemployment insurance	10	10	10	9	(1)
Workers' compensation	31	31	31	31	-
ICMA contribution	301	312	312	312	-
Office supplies	550	550	550	520	(30)
Postage and mailing	1,155	1,350	1,350	1,184	(166)
Telephone	46	300	300	157	(143)
Equipment maintenance	200	200	200	200	-
Expenses and mileage	65	100	100	93	(7)
Contingency	-	200	200	-	(200)
Total expenditures	10,758	11,756	11,531	10,951	(580)
<b>Excess of Revenue Over (Under)</b>					
Expenditures	673	\$ (506)	\$ (281)	510	\$ (791)
<b>Fund Balance - Beginning of year</b>	1,632			2,305	
<b>Fund Balance - End of year</b>	<u>\$ 2,305</u>			<u>\$ 2,815</u>	

# Resource Recovery and Recycling Authority of Southwest Oakland County

## Budgetary Comparison Schedule - Materials Recovery Facility Year Ended June 30, 2007

	Current Year				
	Prior Year Actual	Original Budget	Amended Budget	Actual	Over (Under)
					Amended Budget
<b>Revenue</b>					
Member contributions	\$ 75,316	\$ 75,316	\$ 75,316	\$ 75,316	\$ -
Interest income	12,193	8,400	13,000	18,054	5,054
Revenue sharing:					
RRRASOC	67,481	10,000	64,500	88,693	24,193
Non-RRRASOC	28,445	5,000	37,000	49,330	12,330
Host fees	9,367	9,000	8,000	8,873	873
Other	-	-	70,750	35,050	(35,700)
Total revenue	192,802	107,716	268,566	275,316	6,750
<b>Expenditures</b>					
Supervisory salaries	32,869	36,000	36,000	36,000	-
Permanent salaries	15,845	17,032	17,032	14,892	(2,140)
FICA	4,052	4,697	4,675	4,361	(314)
Medical and dental insurance	7,267	7,790	7,585	7,585	-
Unemployment insurance	58	58	58	53	(5)
Workers' compensation	364	364	364	364	-
ICMA contribution	6,388	7,252	6,952	6,952	-
Operating supplies	229	400	400	355	(45)
Office supplies	173	900	900	-	(900)
Audit	2,000	2,100	2,100	2,000	(100)
Consulting services - Engineers	25,033	33,100	118,250	92,264	(25,986)
Consulting services - Legal	7,092	25,000	12,500	7,072	(5,428)
Consulting services - Accounting	-	200	200	-	(200)
Contractual services - Scales	40,130	40,386	41,415	40,853	(562)
Telephone	1,574	1,930	1,890	1,769	(121)
Equipment maintenance	475	3,700	3,700	-	(3,700)
Conferences and workshops	-	2,000	2,000	400	(1,600)
Expenses and mileage	483	600	600	15	(585)
Office equipment	2,235	500	500	111	(389)
Transfer and debt service	8,995	-	-	-	-
Contingency	-	2,526	1,000	-	(1,000)
Total expenditures	155,262	186,535	258,121	215,046	(43,075)
<b>Excess of Revenue Over (Under) Expenditures</b>	37,540	<b>\$ (78,819)</b>	<b>\$ 10,445</b>	60,270	<b>\$ 49,825</b>
<b>Fund Balance - Beginning of year</b>	280,304			317,844	
<b>Fund Balance - End of year</b>	<b>\$ 317,844</b>			<b>\$ 378,114</b>	